

Issue Number 58

December 1998

A publication of External Affairs — Corporate Research

To Retire or Not? Examining Life after the End of Mandatory Retirement in Higher Education

In this issue:

Introduction

Employment Rights and Retirement in Higher Education

Is the Age of Retirement Increasing?

Retirement Incentive Programs

Legal Status of Retirement Incentive Programs

General Discussion of Critical Issues

Symposium Conclusions

Some Final Thoughts

This issue of Research Dialogues presents a summary of the proceedings of "Examining Life After The End of Mandatory Retirement," a symposium sponsored jointly by TIAA-CREF and the College of Management, North Carolina State University, and held in Washington, D.C., May 18, 1998. The summary was prepared by Robert L. Clark, professor of economics and business management, North Carolina State University, and P. Brett Hammond, manager of corporate projects, TIAA-CREF.

Introduction

On January 1, 1994, higher education's seven-year exemption from the national ban on age-based mandatory retirement ended.¹ Colleges and universities confronted a significantly altered academic labor market in which tenured professors could not be required to retire

at any specified age. Until 1994, mandatory retirement had been an integral component of human resources policy for all higher educational institutions, but it especially affected research universities.

The end of mandatory retirement raised several concerns among academic administrators: They feared a decline in academic quality if senior professors remained on the job past the traditional retirement age. They anticipated a reduced ability to renew faculties by hiring newly trained assistant professors. They expected a loss in flexibility to reassign positions in emerging areas of interest and in response to shifts in student demand. And they pondered the higher cost of retaining senior professors instead of hiring new assistant professors. These administrative concerns were pitted against the understandable, legitimate interest of faculty members in preserving an employment right granted by Congress to almost all other U.S. workers.

Before 1994, several major studies attempted to assess the likely impact of ending mandatory retirement in higher education (Hammond and Morgan, 1991; Rees and Smith, 1991). These studies concluded that: (1) most faculty retired before reaching the age of 70; (2) a bunching of faculty retirement at the required retirement age of 70 occurred primarily at the major research universities; (3) there was little or no evidence of a negative relationship between productivity and age among college faculty; (4) despite having tenure, faculty could be, but rarely are, dismissed for poor performance; and (5) well-designed early and phased retirement programs could induce faculty to retire earlier. In

summary, the studies reported that the effects of ending mandatory retirement would not be very important at most colleges, but that significant costs could be imposed on a small number of the nation's research universities. Consequently, these studies recommended that mandatory retirement should be allowed to lapse — as long as Congress legally enabled all institutions to use tools such as age-based retirement incentive programs to provide positive incentives for faculty to elect early retirement.

Since these early reports were issued, there has been no systematic follow-up of the actual effects of the elimination of mandatory retirement. Based on individual campus-level experience, but without the opportunity to compare among campuses or to obtain national data, some academic administrators have become increasingly concerned that older professors are in fact remaining on the job too long. Many are worried that delayed retirement is already adversely affecting the academic quality and financial condition of their institutions. And some institutions, particularly private colleges and universities, have found that benefits and age discrimination laws have inhibited them from instituting age-based retirement incentives. [In September, as part of the Higher Education Amendments of 1998, Congress did pass legislation allowing institutions of higher education to use certain types of age-based retirement incentives, but as yet there has been little attention given to this new law.]

Thus, there was a strong and growing need for a national discussion of concerns regarding retirement in higher education.

The time was right for an examination of new evidence that might bear on these concerns and for a consideration of newly available, practical options for colleges and universities.

In response, TIAA-CREF and the College of Management, North Carolina State University, convened a symposium in Washington, D.C., on May 18, 1998, to determine what is now known about the impact of ending mandatory retirement in higher education. The symposium was a forum for considering age-specific patterns of retirement and how retirement rates may have changed since mandatory retirement ended. Papers and presentations examined the use of early and phased retirement programs, assessed the effectiveness of these programs, and described the current legal status of age-based early retirement programs. Discussions at the symposium explored the current thinking of key academic administrators, faculty groups, and other expert policymakers and practitioners — all of whom shared an interest in determining the extent of any problems that have been caused by later retirement and what new policies, if any, are needed.

Employment Rights and Retirement in Higher Education

To set the tone for the symposium, the authors of this article presented an overview of the academic labor market in the 1990s. They summarized how it has been, and is being, transformed by the end of mandatory retirement.

Until the passage of the Age Discrimination in Employment Act (ADEA) and its amendments, human resources policy in most institutions of higher education had two basic elements: the tenure system, which provided faculty members considerable protection against loss of employment, and mandatory retirement, which required professors to relinquish tenure along with their job rights at a predetermined age.

Compensation systems and retirement programs were developed around these two basic features of the academic labor market. At many institutions, regular increases in salary with years of service im-

plied that older professors would be paid more than younger faculty. The design of retirement plans reflected the assumption that retirement would occur at or before the mandatory retirement age.

Another possible implication of a system based on tenure and mandatory retirement was that at many institutions, while pre-tenure review was quite rigorous, post-tenure review was often less so. Tenured faculty members were (and are) only rarely dismissed for lack of professional productivity. Prior to 1994, mandatory retirement could serve as a relatively uncontroversial means to ensure at least an endpoint to less-than-fully successful academic careers.²

An important, unresolved question is whether less rigorous post-tenure review was in fact a result of mandatory retirement policies. If the existence of mandatory retirement was the primary explanation for less rigorous post-tenure review, then the elimination of mandatory retirement rules should lead to changes in the review process on many campuses. Alternatively, less rigorous post-tenure review might be a consequence of other aspects of the “culture” of higher education, including collegial governance. If the academic culture is the stronger explanatory factor, then the end of mandatory retirement might not be accompanied by any changes in post-tenure review processes.

The end of mandatory retirement essentially awarded the current cohort of older professors an unanticipated new property right — albeit one that was already enjoyed by almost all other American workers — the right to remain on the job until they decided to retire, regardless of their age. To the extent that professors exercise this new right, their behavior will directly affect the faculty age structure and labor costs at their institutions.

A review of the current size and age structure of the academic labor force demonstrates the key importance of retirement policy. Because most colleges and universities are long past the growth years of the 1960s and early 1970s, employment opportunities for newly trained Ph.D.’s in most fields are created when older faculty retire and vacate their

tenure-track academic positions. If older faculty remain on the job, fewer vacancies occur, and thus fewer new assistant professors are hired.

Examination of the current age structure of the academic labor force indicates that this will become a more important issue in the next ten to fifteen years. During this period, the relatively large number of faculty hired in the late 1960s and early 1970s will begin reaching their 60s, i.e., traditional retirement ages. To date, any decline in age-specific retirement rates has resulted in only a few additional faculty members remaining on the job, because a relatively small number of professors are currently in their 60s and 70s. However, a much larger number of professors will attain these ages within the next two decades. As a result, future declines in retirement rates will have a more significant effect on new employment opportunities at many universities.

Many academic administrators fear that a decline in retirement rates will adversely affect the cost or academic quality of their institutions. Institutions can elect to counter declines in retirement rates through the use of early and phased retirement programs that offer a financial incentive for older professors to retire. In effect, such programs allow the institution to buy back the new employment right from older professors. When designing such early retirement programs, administrators must decide whether the gain to the institution of having older professors retire is outweighed by the added financial cost of the early retirement option.

Is the Age of Retirement Increasing?

Juanita Kreps, former U.S. secretary of commerce and vice president emerita of Duke University, opened the symposium by reviewing the key issues. She cited limited evidence indicating that professors’ academic careers have lengthened in recent years, particularly among faculty enrolled in defined contribution pension plans (such as TIAA-CREF). These developments in particular have caused concern among administrators that a large number of professors might work well past age 70 in response to the end of mandatory retirement.

Dr. Kreps's remarks prefaced the presentation of results from two new studies on the question of whether professors are in fact choosing to retire at older ages now that mandatory retirement has been eliminated. David Card, professor of economics, University of California at Berkeley, reported findings from a preliminary study coauthored with Orley Ashenfelter, professor of economics, Princeton University, which examined faculty retirement decisions using employment records from a national sample of colleges and universities. Robert L. Clark, Linda S. Ghent, visiting assistant professor of economics, East Carolina University, and Juanita Kreps presented their estimates of how age-specific retirement rates have changed in three North Carolina universities.

With the assistance of TIAA-CREF and support from the Mellon Foundation, Ashenfelter and Card compiled employment records from 37 institutions, consisting of 11 research universities, 3 degree-granting institutions, 13 comprehensive colleges, and 10 liberal arts colleges for the years 1986–1995.³ They used these data to examine the work and retirement decisions of a sample of 5,035 tenured or tenure-track faculty members employed at these 37 institutions who are age 50 or older. In addition to the employment records of this sample of faculty members, Ashenfelter and Card obtained

the value of retirement funds for those persons who were TIAA-CREF participants (strict confidentiality of all individual information was preserved throughout this study; please see endnote 3). However, they have no indication of the value of retirement benefits for persons not enrolled in TIAA-CREF.⁴ They offered a preliminary report from an ongoing project that includes an effort to expand the number of colleges and universities in the sample to over 100.

Using these data, they estimated parameters in a model of an individual's decision to retire at any specific age, both before and after the ending of mandatory retirement. They reached the following conclusions:

- In the mandatory retirement era, about 20 percent of faculty who reached age 70 were forced to retire and 40 percent voluntarily retired at age 70. After the elimination of mandatory retirement, the fraction of faculty retiring at age 70 declined sharply. The retirement rate at age 70 is now similar to the retirement rates at ages 68 and 69.⁵
- Faculty at research universities have significantly lower retirement rates than faculty at other types of institutions. Faculty with higher salaries are less likely to retire; a 10 percent higher salary results in a 0.6 percentage point reduction in the probability of retire-

ment. Retirement rates didn't vary significantly by gender or race.

- Among faculty covered by TIAA-CREF, a 10 percent increase in the value of the individual's total TIAA-CREF account balance at age 67 increased the likelihood of retirement by 0.1 percentage point.
- During the 1990s, the retirement rate of faculty in their 60s rose. This might be a result of the unanticipated increase in the values of TIAA-CREF retirement accounts associated with relatively high rates of returns during this period.

Clark, Ghent, and Kreps examined different data on tenure-track faculty retirement decisions, specifically the 1988–1997 employment records of Duke University, the University of North Carolina (UNC), and North Carolina State University (NC State). They reached conclusions that are consistent with the findings of Ashenfelter and Card:

- Between 1988 and 1997, the average age of faculty members at each of these universities increased by over two years, with the mean overall age for the faculties increasing from 46.5 years to 49 years. The proportion of the faculty less than 40 years old decreased from 27 percent to 18 percent between 1988 and 1997, while the proportion age 55 years and older rose from 24 percent to

Tenure-Track Faculty Retirement Rates at Ages 69 and 70
Preliminary Results from Study of North Carolina Institutions

Time Period and Institution	Age 69			Age 70		
	Number Employed	Number Retired	Retirement Rate	Number Employed	Number Retired	Retirement Rate
Mandatory (1988 to 1992)	59	36	61.0%	22	17	77.3%
Duke	5	5	100.0	0	0	—
NCSU	30	17	56.7	10	7	70.0
UNC	24	14	58.3	12	10	83.3
Post-mandatory (1993 to 1996)	50	19	38.0	30	4	13.3
Duke	16	7	43.8	6	0	0.0
NCSU	21	7	33.3	15	3	20.0
UNC	13	5	38.5	9	1	11.1

Source: Data from Robert L. Clark, L. S. Ghent, and J. Kreps, "Faculty Retirement and the Impact of the Elimination of Mandatory Retirement at Three North Carolina Universities," manuscript, May 1998, Table 2.
Notes: Years above refer to the beginning of the academic year. Those not retired at age 70 in the mandatory period were retired at age 71.

29 percent. This aging was the result of both an increase in the average age of new faculty and a decline in retirement rates among existing faculty at all ages.

- Retirement rates for persons reaching the mandatory retirement age declined sharply following the end of mandatory retirement. Retirement rates for persons age 69 at the beginning of the academic year fell from 61 to 38 percent after the elimination of mandatory retirement. The retirement rate for those age 70 at the beginning of the academic year dropped from 77 percent before 1994 to 13 percent after 1994. (See table on page 3.)
- Faculty who participated in the Teachers and State Employees Retirement Plan (a defined benefit plan available only to faculty at NC State and UNC) have been 11 percentage points more likely to retire at any age than participants in one of the defined contribution plans (including TIAA-CREF) offered by the three universities.
- After the elimination of mandatory retirement, predicted retirement rates declined for persons in the state retirement plan but increased for those in one of the defined contribution plans. This finding is consistent with the observation of Ashenfelter and Card that participants in TIAA-CREF were more likely to retire during the 1990s, which might be associated with unanticipated increases in account balances.

According to both of these preliminary studies, ending mandatory retirement has had an observable effect, especially at research universities, where professors who reach age 70 are less likely to retire now than before 1994. This effect is tempered by the recent increase in the retirement rate for all faculty in their 60s, so that fewer current faculty have reached age 70 than in the past.⁶

Retirement Incentive Programs

Since colleges and universities can no longer rely on retirement age limits, they must look to voluntary retirement incentive programs if they wish to affect faculty retirement decisions. John Keefe,

president of Keefe Worldwide Information Services, prepared a report evaluating the current understanding and use of retirement incentive programs in higher education. Keefe surveyed private and public institutions, with special attention given to research universities and liberal arts colleges. The survey focused on plans in which faculty receive severance payments as an incentive to retire as well as on phased retirement plans in which senior faculty are offered part-time work at prorated salaries in exchange for giving up tenure and retiring. Keefe approached 125 institutions and received responses from 66 institutions on seventy-seven different plans. Eighty percent of the responding institutions currently offered an early retirement plan or had done so within the past few years.

Under the incentive plans, the amount of the severance payments at private institutions varied from 40 percent of final salary to 200 percent of final salary, with most of these institutions offering between 100 and 200 percent of final salary. Payments by public institutions were smaller, ranging from 12 percent to 100 percent of final salary. Most plans provided for a single lump-sum payment.

Phased retirement plans varied considerably across institutions, based on the duration of the contract, the amount of work, and the relationship between workload reduction and salary reduction. Both incentive and phased retirement plans can be either formal (offered through a documented process whose details are well known to the faculty) or informal (often undocumented and offered by administrators to selected individual faculty members with details that vary according to each case).

Retirement incentive plans can be ongoing programs or they can be offered only for a specified time period. Legally, an ongoing program is subject to being declared an employment benefit like the basic pension plan. For private institutions, it is therefore subject to the Employee Retirement Income Security Act (ERISA) and other employee benefit rules and laws. Ongoing programs are, for example, difficult to withdraw without appropriate notification, and they must

be fully funded. In contrast, a time-limited program is designed to end and therefore may not be considered to be a benefit subject to ERISA and other employee benefit rules and regulations.

Some institutions attempt to respond to short-term faculty retirement issues by introducing a temporary incentive plan to induce an immediate, one-time reduction in staff. Other institutions introduce ongoing plans in an effort to raise age-specific retirement rates permanently. Sixty of the seventy-seven plans in the survey were ongoing and seventeen were temporary plans. Most of the temporary plans were offered at public institutions.

The objective of most of these plans was to entice individuals to retire before age 65, well below the former mandatory retirement age of 70. Most importantly, Keefe found that only one institution specifically indicated that its incentive plan was adopted in response to the end of mandatory retirement.

“Window” plans offer special retirement options that are available only for a short period of time. Until recently (prior to the adoption of the Higher Education Amendments of 1998), these plans have been used most effectively in conjunction with defined benefit pensions. Typically, window plans treat participants as if they were older or had more years of service in the calculation of pension benefits. Of course, such plans can also simply offer cash payments for faculty members who retire within the designated time frame. For the most part, the primary objective of window plans is to achieve a short-term increase in retirements consistent with an institution’s attempt to reduce the size of its faculty or to redress a significant problem in the composition of its faculty. These plans are less likely to be adopted to alter long-term problems associated with later retirements.

In addition to observing national patterns in the use of retirement incentive programs, it is important to know how knowledgeable administrators on individual campuses are matching incentives to the faculty employment and retirement challenges they face. Cornell University’s response to the end of mandatory retirement was examined in a paper by Ronald

Legal Status of Retirement Incentive Programs

Ehrenberg, vice president of academic programs, planning and budgeting, Cornell University; Michael Matier, acting director of the office of institution research and planning, Cornell University; and David Fontanella, senior data analyst, Cornell University.

Cornell is a unique institution, with six of its colleges privately funded and four colleges operated by Cornell under contract with New York State. All faculty in the six privately funded colleges are enrolled in a defined contribution retirement program, while faculty in other colleges have a choice of participating in a state defined benefit retirement plan or an optional retirement program.⁷

In the fall of 1996, a joint faculty-administrative committee with Ronald Ehrenberg serving as chair was appointed to make recommendations on how Cornell should respond to the elimination of mandatory retirement. Their study began with an examination of employment records, which indicated that the average age of retirement fluctuated without trend until 1993–94 but has since risen by two years. In addition, some faculty who reached age 70 during this period remained on the job.⁸ Fewer retirements reduced hiring opportunities and resulted in an aging of the faculty. The proportion of all faculty under the age of 35 declined from 15 percent in 1982–83 to 5 percent in 1996–97. The percent of the faculty over the age of 60 increased from 13 to 21 percent during the same period. The number of newly hired, tenure-track faculty declined from 108 in 1987–88 to 48 in 1995–96.

The committee determined that the decline in hiring had three adverse effects: (1) Cornell was hiring fewer faculty with new ideas and new perspectives; (2) fewer new hires meant the university was less able to diversify its faculty along gender, racial, and ethnic lines; and (3) fewer new hires had the potential to limit Cornell's ability to remain at the frontier in rapidly changing fields and to shift faculty resources into new areas of inquiry.

As it began its deliberations, the committee was instructed by the provost to avoid a buyout plan because of the belief that these plans would not be cost effective.

Since a majority of Cornell faculty members retire before age 70, the worry was that any plan that paid people to retire prior to age 70 would be paying many people to do what they would have done anyway. Moreover, the legal status of defined contribution-based buyout plans that limited participation to faculty prior to a certain age was thought to be ambiguous.

Instead, the committee made seven other recommendations to increase retirement rates:

- (1) Faculty should be provided financial planning assistance over their life cycles to assure that they make informed investment decisions with their retirement accounts.
- (2) More information should be available to the faculty about the importance of investing in tax-deferred supplementary retirement accounts.
- (3) Faculty should be encouraged to discuss their retirement plans beforehand with department chairs or college officials to enable academic units to improve their planning.
- (4) There should be increased accountability for faculty, and salary increases should be linked to individual productivity.
- (5) The status of emeriti professors should be greatly enhanced.
- (6) University retirement contributions to the defined contribution plans should be capped.
- (7) The university should expand the existing phased retirement program.

The Cornell faculty objected to several of the key points in these recommendations. Specific arguments were that the recommendation to match salary increases to productivity was offensive and should be deleted; the phased retirement program was not generous enough and it should be amended; and capping retirement contributions was merely an attempt to cut compensation and should be eliminated. The committee report has been amended to reflect these criticisms, and currently the plan is under consideration in the office of the provost.

Cornell's experience with retirement incentive programs reflects some of that campus's unique circumstances as well as some issues that are common to many colleges and universities.

One of the most critical issues affecting colleges and universities with defined contribution pension plans — especially those in the private sector — is the legal status of retirement incentive programs. Robert O'Neil, the director of the Thomas Jefferson Center for the Protection of Free Expression, and David Raish, partner, Ropes and Gray, have separately analyzed the legal issues associated with retirement incentive programs in higher education and the consequences of uncapping the retirement age. They reported the results of their work, along with a description of proposed legislative changes then under consideration in Congress.

In conjunction with defined benefit pensions, retirement incentive programs are clearly legal and have been used frequently by public-sector colleges and universities to provide inducements to increase faculty retirement rates. In this setting, retirement incentive programs are most often part of a public-sector pension plan and therefore not subject to ERISA requirements. Also, they can take advantage of age-based formulas already built into defined benefit plans, which can also be modified to accommodate increased retirement incentives.

Since most (though certainly not all) defined contribution plans are offered by private colleges and universities, they tend to be subject to ERISA rules and regulations limiting the use of certain policies, such as those associated with upper age limits. In addition, defined contribution pensions do not typically or explicitly link benefit payout streams to age, because of the way in which defined contribution benefits are structured.⁹

The nature of most defined contribution plans — namely that there is no age-related defined benefit that can be altered to provide a retirement incentive — presents additional challenges for an em-

ployer wishing to target retirement incentives at a key group of professors within a specific age bracket. For example, a promise to provide faculty of any age an incentive payment would allow faculty to wait until they would have retired anyway and still receive the payment. It would thus no longer act as an incentive to retire early.

In order to be effective as well as economical, retirement incentive programs must induce a sufficient number of faculty to retire earlier than they might otherwise, thereby freeing up salary dollars to be used for replacement hiring. Consequently, retirement incentive programs offering a lump-sum payment are thought to work best when faculty can be offered an age window during which they are eligible to apply for the retirement incentive.

Until recently, the legal status of including an upper age limit in such a program was cloudy. In the past, some experts argued that for pensions subject to ERISA, the Age Discrimination in Employment Act prohibited offering retirement incentives to younger employees and not to older employees. ADEA clearly permits offering retirement incentives to older employees but not to younger employees. Therefore, some believed that a defined contribution window program could have a lower age limit, but not an upper one, thus effectively keeping the window of opportunity open forever for faculty who are over the initial age threshold. Others believed that an upper age limit was permissible for a retirement incentive program used with a defined contribution pension. Without clarification of this issue, many colleges and universities believed that they would have to offer retirement incentive payments to all faculty over a certain age and were convinced that this outcome would be ineffective, costly, and self-defeating.

Compromise legislation intended to address these issues was proposed earlier this year and received support from most of the private and public interest groups concerned with higher education and aging. In September 1998, Congress passed this legislation as part of the Higher Education Amendments of 1998. As a result, colleges and universities are now allowed to offer, with certain signifi-

cant restrictions, retirement incentive programs with an upper age limit.

An incentive plan with such a limit enables all college or university employees who reach an initial threshold, for example, age 60, to pass through a window of opportunity during which they can choose to apply for retirement incentives. However, once they pass beyond the upper limit, for example, age 65, they will no longer be eligible for the program. The new legislation also requires that any retirement incentive program be offered for a sufficient time period so that all employees can become aware of the program's details and have the opportunity to consider their options carefully.

An important tool that has been available to other U.S. employers and employees is thus now available to all colleges, universities, and faculty. Such a change enables college and university administrators who have found that they are suffering or will suffer negative consequences from the end of retirement to offer clearly legal, cost-effective programs focused on the problems they have encountered.

General Discussion of Critical Issues

After presentation of the evidence on the changing retirement behavior of faculty, the use of retirement incentive programs in colleges and universities, and issues associated with potential new retirement tools for administrators, the symposium featured remarks from a range of higher education experts.¹⁰ Based on their experiences on individual campuses, with groups of faculty, or with groups of administrators, speakers made a number of important points that were especially relevant to the concerns of administrators and faculty after the end of mandatory retirement. These points included the following:

- Views vary among institutions and between faculty and administrators on the impact of ending mandatory retirement. This variation suggests that individual campuses are differentially affected and therefore should examine their own circumstances carefully before choosing future retirement-related policies.

- Most representatives of higher education faculty and administrators believe that ending mandatory retirement has benefited faculty, who can now exercise choices available to all other working Americans. However, they both recognize that for planning and budgeting purposes, individual campuses and multicampus systems may need to decrease the uncertainty associated with future retirement patterns by offering individuals the opportunity to retire earlier than they might otherwise. Therefore, both faculty and administrators support well-designed, noncoercive retirement incentive programs that are effective in encouraging retirements while preserving individual rights.
- At the national level, projecting or predicting future faculty supply and demand is next to impossible because forces affecting this market cannot be fully specified. These include, but are not limited to, future government support, industrial growth patterns, and immigration policies and patterns. Conclusions about the effects of ending mandatory retirement for faculty must be placed in this uncertain context.
- Few colleges and universities are fully aware of what they can and cannot do to provide retirement incentives to their employees. Education and information programs are needed in this regard (especially now that the law affecting retirement incentives in higher education has changed).
- The final word is far from in on this subject. The consequences of eliminating mandatory retirement have not yet been fully felt or understood. Additional studies and discussion of this issue and its effect on higher education are needed.

Symposium Conclusions

The symposium identified a series of important concerns about the impact of the end of mandatory retirement and the need for further research:

- (1) The data presented at the symposium clearly indicate that college faculties are aging. This fact is apparent in both aggregate academic labor market data

and data on the faculties of particular colleges and universities. There has been an increase in the average age of faculty members, a decrease in the proportion of the faculty members under age 40, and an increase in the proportion of the faculty members over age 55.¹¹

- (2) The elimination of mandatory retirement has led to lower retirement rates and an increase in the average age of retirement for those faculty members who continue to work until age 70. Although older professors remaining at their university posts can be found at nearly all types of institutions, they are concentrated at research universities. In the past, these professors would have been forced to retire. Now many of them are choosing to remain as full-time, tenured faculty members for several additional years. To date, the increase in retirement ages has played only a small role in the aging of faculties. However, the decline in the probability of retirement among older professors, particularly at research universities, will become more important in coming years as the relatively large number of faculty members hired in the late 1960s and early 1970s begins to reach traditional retirement ages.
- (3) Future cohorts of retirees will look much different from today's. They will include more minorities and more women. We need to determine if the future retirement decisions of more diverse faculty cohorts will be similar to the decisions of professors during the 1990s, who are predominantly white men.
- (4) Retirement patterns at some institutions differ by the type of pension plan covering the faculty. Even in cases where there is no explicit retirement incentive program, defined benefit plans can have features that may serve as an incentive for earlier retirements. In contrast, defined contribution plans can have features — such as annual income payouts that increase as annuity start dates are postponed — that clearly do not penalize professors who choose to delay retirement. For example, in the study of North Carolina re-

tirement patterns, age-specific retirement rates were higher among faculty members covered by a defined benefit plan, even at universities where both defined benefit and defined contribution plans are offered as options.

However, now that a clearer legal framework for age-based retirement incentive plans has been established, it will be easier to link certain types of early-retirement incentive plans to defined contribution plans. This development has the potential to significantly enhance the ability of institutions with defined contribution plans to encourage earlier retirements in the future.

We also need a better understanding of the impact of the increase in stock market values during the 1990s on the retirement decisions of participants in defined contribution pension plans. One study showed that observed retirement rates were higher for those with relatively large defined contribution accumulations. But future retirement rates may be lower if, as is likely, the next generation of older professors in defined contribution plans does not continue to benefit from above-average equity returns.

- (5) Retirement incentive programs have been adopted by a large number of academic institutions, and they come in many forms. They can be early retirement buyouts, phased retirement programs, or increased generosity of retirement plans. Limited evidence suggests that these plans can alter faculty retirement behavior; however, their cost effectiveness is unclear. Much clearer is that few colleges and universities have targeted their use of retirement incentive programs to deal with the effects of ending mandatory retirement.
- (6) Clarification of the legality of certain types of retirement incentive programs has lifted a legal burden on private colleges and universities that rely primarily on defined contribution retirement plans. The Higher Education Amendments of 1998 have eliminated legal uncertainty and given private

colleges and universities and their faculty members access to the same sorts of retirement incentives available to public colleges and universities.

- (7) Clearer legislation will not ensure informed awareness of retirement incentive programs. College and university associations have a responsibility to help educate administrators and faculty about the options and appropriate uses of retirement benefit programs and of retirement incentive programs in particular. Financial planning programs can help faculty to prepare better for retirement. And communication between faculty and administrators concerning incentive plans improves the success rate of most early-retirement programs.
- (8) There is disagreement in the academic literature, as well as among administrators and faculty, regarding the impact of a larger number of older faculty members on colleges and universities. Some of this disagreement is a result of a lack of empirical information: We simply don't know whether or how faculty retirement ages are changing on many individual campuses. Following the lead of some of the researchers who presented their findings at this conference, individual schools should track retirement patterns at their own campuses.

Disagreement regarding the impact of faculty aging is also normative: Just because retirement ages have, are, or will change at some universities, the question of whether these changes will harm the institution remains. This issue is largely a matter of perspective. Administrators are more likely to focus on the financial burdens imposed on their faculty hiring budget by lengthening faculty careers as well as their inability to hire new faculty in new research fields. Others, including some faculty groups, are more likely to focus on the many positive contributions older faculty can make to university life, as well as on the legal right of almost all U.S. workers to decide when to retire.

The most effective resolution is likely to depend on separating empirical

from normative issues. Empirical questions can be resolved as much as possible through further research and discussion. The normative issues should be clearly identified and confronted through continuing discussions among faculty and administrators on campuses, in state capitols, and in Washington.

Some Final Thoughts

The conference was an important first step to understanding the changing patterns of retirement at colleges and universities.¹² The papers presented clearly indicated that some older faculty members are taking advantage of their new right to remain on the job past age 70. This is a cause of concern to some academic administrators, though not necessarily to groups representing faculty members.

More research is needed to understand the impact of the end of mandatory retirement on colleges and universities. Better data must be used to document changes in faculty age structure, shifts in retirement patterns, potentially adverse effects of higher ages of retirement, and the cost effectiveness of retirement incentives and other programs for dealing with the consequences of the end of forced retirement in higher education.

But most of all, both analysis and action in this area will require the kind of cooperative, candid effort that the conference represented: researchers, administrators, and faculty who were willing to come together to examine the evidence, formulate shared principles and conclusions based on the evidence, and then develop policies and programs that follow those principles.

Endnotes

¹The Age Discrimination in Employment Act (ADEA) was passed in 1967, forbidding discrimination against workers age 40 to 65. The act explicitly permitted employers to force workers to retire at age 65 without cause. This act was amended in 1978, raising the upper age of protected workers to 70. This prohibited mandatory retirement prior to the age of 70. Academic institutions were given an exemption from this amendment until July 1, 1982. ADEA was amended again in 1986, outlawing the use of mandatory retirement at any age in most jobs. Once again, educational

institutions were given a temporary exemption until January 1, 1994, when the law was extended to cover tenured faculty members.

²Tenure does not mean that professors cannot be terminated; however, the university must show that the professor is not performing at an acceptable level. Essentially, termination of a senior professor would require the university to show that the person is incompetent or is not performing required job assignments. Across the country, concern about these issues has produced an increasing trend toward academic accountability and post-tenure review. Even with closer monitoring of faculty performance, the termination of a senior faculty member will be a painful task, especially when the person has been a long-term, productive professor.

³Ashenfelter and Card and TIAA-CREF took a number of steps to ensure confidentiality and anonymity in this study. The researchers obtained permission from TIAA-CREF and from the human resources and/or benefits office of each institution involved. They were provided a limited amount of data by the institutions and by TIAA-CREF, all of which was carefully masked to preserve anonymity. As a result, neither the researchers, the sponsoring and participating organizations, nor persons reading or using the results can identify any individual or institution involved in the study.

⁴Faculty not enrolled in TIAA-CREF may be participants in other defined contribution plans or in defined benefit plans that are prevalent among public institutions.

⁵These figures are based on the number of 70-year-olds in Ashenfelter and Card's Princeton Retirement Survey who turned 70 at some point during 1986–1995. The sample sizes on which these percentages were based were 510 individuals in the mandatory period (1986–1993) and 148 in the post-mandatory period (1994–1995).

⁶It is important to note that both of the studies discussed in this section examined the retirement decisions and age structure of tenured and tenure-track faculty members only. As reported by Carol Frances in *Research Dialogues*, no. 55 (March 1998), part-time and nontenure-track faculty make up an increasingly large percentage of the teaching staff at institutions of higher education. The age structure and retirement patterns of these faculty members may be significantly different from that of the tenure-track professoriate.

⁷Most new faculty have enrolled in a defined contribution plan. Currently there are fewer than 20 faculty in the state retirement plan.

⁸Prior to 1994, Cornell rigorously enforced mandatory retirement; however, retired faculty were eligible to be hired back for specified terms on a part-time basis at a renegotiated salary.

⁹In a defined contribution pension, retirement benefits are not fixed by any formula, but they do tend to increase with age. For example, many colleges and universities offer employer contribution rates that

increase with an employee's age. Moreover, an individual's retirement income typically increases with the length of time contributions remain invested as well as with the actuarial effect of any increase in a person's retirement age. Thus, other things being equal, the person who delays starting a lifetime annuity will receive higher annual retirement income than someone who starts an annuity earlier.

¹⁰A panel discussion led by David Breneman, dean, Curry School of Education, University of Virginia, included comments by Clare Cotton, president, Association of Independent Colleges and Universities, Massachusetts; Frederick Ford, executive vice president and treasurer emeritus, Purdue University; Ruth Flower, director of government relations, American Association of University Professors; and James Kane, associate director of human resources, Villanova University. At the conclusion of the panel discussion, participants broke into four discussion groups led by Sharon Smith, dean, College of Business Administration, Fordham University; Ellen Switkes, assistant vice president for academic advancement, University of California; Karen Holden, professor, School of Family Resources and Consumer Sciences, University of Wisconsin; and Jack Schuster, professor of education and public policy, Claremont Graduate University. The discussion leaders reported the key points to a final plenary session of the conference. Others who made presentations at the conference included Joyce Fecske, vice president emerita, DePaul University; Harriet P. Morgan, assistant professor, George Mason University; Diane Oakley, vice president, TIAA-CREF; Richard Burkhauser, professor, Department of Policy Analysis and Management, Cornell University; and Jay Chronister, professor, Curry School of Education, University of Virginia.

¹¹See endnote 6.

¹²The conference proceedings are now being edited into a volume for publication. Information concerning this volume can be obtained by contacting P. Brett Hammond at TIAA-CREF, 730 Third Ave., New York, NY 10017 (800 842-2733, ext. 2279) or bhammond@tiaa-cref.org.

References

P. Brett Hammond and Harriet Morgan, eds. *Ending Mandatory Retirement for Tenured Faculty: The Consequences for Higher Education*. Washington, D.C.: National Academy Press, 1991.

Albert Rees and Sharon P. Smith. *Faculty Retirement in the Arts and Sciences*. Princeton, N.J.: Princeton University Press, 1991.